

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	26.65	26.65	26.17	26.17	26.65	26.17	(0.48)	(1.80)%
Personal Services	1,902,347	1,978,033	2,137,635	2,140,794	3,880,380	4,278,429	398,049	10.26 %
Operating Expenses	1,774,026	2,088,752	2,354,990	2,317,428	3,862,778	4,672,418	809,640	20.96 %
Equipment & Intangible Assets	43,743	25,547	43,743	43,743	69,290	87,486	18,196	26.26 %
Local Assistance	2,558,090	5,000,000	3,058,090	3,058,090	7,558,090	6,116,180	(1,441,910)	(19.08)%
Grants	1,298,001	1,364,016	6,472,103	6,445,797	2,662,017	12,917,900	10,255,883	385.27 %
Benefits & Claims	0	200,000	200,000	200,000	200,000	400,000	200,000	100.00 %
Total Costs	\$7,576,207	\$10,656,348	\$14,266,561	\$14,205,852	\$18,232,555	\$28,472,413	\$10,239,858	56.16 %
General Fund	1,018,319	1,052,113	7,009,929	6,981,110	2,070,432	13,991,039	11,920,607	575.75 %
State/Other Special Rev. Funds	6,290,180	9,312,875	6,968,924	6,937,034	15,603,055	13,905,958	(1,697,097)	(10.88)%
Federal Spec. Rev. Funds	267,708	291,360	287,708	287,708	559,068	575,416	16,348	2.92 %
Total Funds	\$7,576,207	\$10,656,348	\$14,266,561	\$14,205,852	\$18,232,555	\$28,472,413	\$10,239,858	56.16 %

Program Description

The Conservation and Resource Development Division (CARDD) provides technical, administrative, financial and legal assistance to Montana's 58 conservation districts by administering the Conservation District Act, Montana Rangeland Resources Act, and the Natural Streambed and Land Preservation Act. The division also manages several loan and grant programs for local communities, local governments, state agencies, and private citizens. The programs include the state revolving fund, which at the end of FY 2014 included \$530 million loaned to communities for water and waste water systems, coal severance tax loans to governmental entities totaling \$42 million, and private loans for \$22 million. Grant programs administered by the division include the Reclamation Development, Renewable Resource, and Conservation District grant programs.

Program Highlights

Conservation and Resource Development Division Major Budget Highlights
<p>The Division proposes to increase this program's budget due to:</p> <ul style="list-style-type: none"> • A major initiative to establish a Sage Grouse Conservation Fund with general fund • Various global present law adjustments, including annualization of the 2015 biennium pay plan and full funding of positions • A proposed switch of funding from the natural resources operations account to the general fund • A proposal for range land and other loans • One new proposal for \$480,000 to provide technical support to communities

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

57060 - Natural Resources & Conservation 23-Conservation & Resource Development Division

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Natural Resources & Conservation						
Program	Legislative Appropriation	Legislative Approps	House OTO Adjustment	Operating Plan	Program Transfer	Total Executive Implementation
23 CONS/RES DEV DIV	10,096,661	446,000	-		113,687	10,656,348
Personal Services	1,792,156	88,553	-		97,324	1,978,033
Operating Expenses	1,917,220	155,169	-		16,363	2,088,752
Equipment & Assets	23,269	2,278				25,547
Local Assistance	5,000,000			-		5,000,000
Grants	1,364,016					1,364,016
Benefits & Claims		200,000				200,000

The difference between the FY 2015 legislative appropriation and the total executive implementation is primarily due to restricted one-time-only appropriations for regional water administration, drinking water loan assistance, and operating adjustments. The remaining difference was a program transfer that moved funding and FTE for the Flathead Basin Commission from the Water Resources Division to the Conservation and Resource Development Division.

Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of \$7,576,207 are \$2,520,454 below the FY 2015 Legislative appropriation of \$10,096,661.

Funding

The following table shows proposed program funding by source from all sources of authority.

57060 - Natural Resources & Conservation 23-Conservation & Resource Development Division

Natural Resources & Conservation, 23-Conservation & Resource Development Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	13,991,039	0	0	13,991,039	49.14 %
02015 TSEP Regional Water System	1,912,764	0	0	1,912,764	13.76 %
02052 Rangeland Improvement Loans	162,228	0	0	162,228	1.17 %
02107 Environmental Contingency RIT	0	0	0	0	0.00 %
02298 GO Bond Proceeds 2010H	0	0	0	0	0.00 %
02316 GO94B/Ban 93D Admin	52,465	0	0	52,465	0.38 %
02340 Coal Sev. Tax Shared SSR	4,438,315	0	0	4,438,315	31.92 %
02433 Grazing District Fees	48,688	0	0	48,688	0.35 %
02490 Drinking Water Investment	400,000	0	0	400,000	2.88 %
02491 Drinking Water Spec Admin Cost	0	0	0	0	0.00 %
02576 Natural Resources Operations SSR Fu	575,318	0	0	575,318	4.14 %
02621 CST 09A BAN Proceeds Exempt	0	0	0	0	0.00 %
02622 CST 09B BAN Proceeds Taxable	0	0	0	0	0.00 %
02685 CST 12A BAN PROCEEDS-EXEMPT	0	0	0	0	0.00 %
02686 CST 12B BAN PROCEEDS-TAXABLE	0	0	0	0	0.00 %
02694 Coal Bed Methane Protection	350,000	0	0	350,000	2.52 %
02910 CST 14A BAN Proceeds (Exmp)	0	0	0	0	0.00 %
02950 GO 2013E WW SRF Proceeds	0	0	0	0	0.00 %
02967 GO 2013E Bond Proceeds Taxable	0	0	0	0	0.00 %
02971 SRF GO BOND 2000F TAX NPS/RCB	5,966,180	0	0	5,966,180	42.90 %
State Special Total	\$13,905,958	\$0	\$0	\$13,905,958	48.84 %
03149 WPC SRF FY06 GRANT	0	0	0	0	0.00 %
03152 DW SRF FY15 Grant	0	0	0	0	0.00 %
03245 WPC SRF 11 Grant	131,154	0	0	131,154	22.79 %
03409 WPC SRF FY10 GRANT	0	0	0	0	0.00 %
03430 DW SRF FY14 Grant	0	0	0	0	0.00 %
03457 WPC SRF 05/08 Grant	131,154	0	0	131,154	22.79 %
03569 DW SRF FY16 Grant	156,554	0	0	156,554	27.21 %
03574 DW SRF FY17 Grant	156,554	0	0	156,554	27.21 %
Federal Special Total	\$575,416	\$0	\$0	\$575,416	2.02 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$28,472,413	\$0	\$0	\$28,472,413	

The general fund and state special revenue funds each fund approximately 49% of CARRD, with federal special revenue funding the remaining 2%.

Coal Tax Shared Account

Section 15-35,108, MCA provides for 5.46% of coal severance tax collections to be deposited to a state special revenue fund to be used for the following:

- Basic library services for residents of all counties
- Conservation districts
- Montana Growth through Agriculture

Any unreserved fund balance at the end of each fiscal year must be deposited to the general fund.

The figure below summarizes the condition of the fund. The figure assumes:

- The Governor's proposed HB 2 budget for the 2017 biennium
- The Legislative Fiscal Division (LFD) revenue estimates for the 2017 biennium
- Any annual ending fund balance is transferred to the general fund in accordance with MCA 15-35-108(3) beginning in FY 2015
- No additional costs from a pay plan bill in the 2015 Legislative Session

57060 - Natural Resources & Conservation 23-Conservation & Resource Development Division

Department of Natural Resources and Conservation Coal Tax Shared State Special Revenue				
Balance, Expenditures & Revenues	FY 2014	FY 2015	FY 2016	FY 2017
Beginning Balance	\$1,444,325	(\$61,501)	(\$215,386)	(\$106,932)
<u>Expenditures</u>				
Montana State Library	562,584	562,801	473,030	465,833
Natural Resources & Conservation	3,666,854	2,239,107	2,245,131	2,211,746
Agriculture	<u>425,512</u>	<u>440,706</u>	<u>402,994</u>	<u>396,637</u>
Total Expenditures	4,654,950	3,242,614	3,121,155	3,074,216
LFD Revenues	<u>3,149,124</u>	<u>3,088,729</u>	<u>3,229,609</u>	<u>3,330,218</u>
Ending Fund Balance	(\$61,501)	(\$215,386)	(\$106,932)	\$149,070
				General Fund

Proposed Expenditures

The executive is requesting \$6.2 million in spending authority from this fund in the FY 2017 biennium, allocated as shown on the above table, a decrease of \$1.7 million, or 21.6% from the 2015 biennium.

Projected Revenue

The LFD revenue projection totals \$6.5 million for the biennium, a 5% increase from the 2015 biennium.

As noted above, the table uses the LFD revenue estimates to evaluate the condition of the fund. Using this estimate and the executive proposed expenditures, the fund would have a negative balance at the end of FY 2015. Therefore, the executive will need to reduce expenditures in that year to eliminate the projected negative ending fund balance. Because the executive proposes expenditures in the 2017 biennium that are within projected revenues, the fund would be balanced. LFD staff will provide an update to the legislature on any action taken by the executive concerning FY 2015 expenditures.

Coal Tax Shared Account History 2340					
Agencies	FY 2014 Appropriation	FY 2013 Appropriation	FY 2012 Appropriation	FY 2011 Appropriation	Average
Library Commission	562,804	509,800	512,273	630,041	553,730
DNRC	2,223,806	2,207,424	2,357,698	1,686,398	2,118,832
Agriculture	444,170	393,926	387,676	820,516	511,572
Total	3,230,780	3,111,150	3,257,647	3,136,955	3,184,133
<u>Percent of Total</u>					
Library Commission	17.4%	16.4%	15.7%	20.1%	
DNRC	68.8%	71.0%	72.4%	53.8%	
Agriculture	13.7%	12.7%	11.9%	26.2%	

57060 - Natural Resources & Conservation 23-Conservation & Resource Development Division

Statute does not allocate the funds to any of the above entities, but gives the legislature authority to appropriate the funds. The legislature may wish to coordinate action on this budget with the other subcommittees responsible for appropriation of the account.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
-----General Fund-----					-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,035,808	1,035,808	2,071,616	14.81 %	10,096,661	10,096,661	20,193,322	70.92 %
PL Adjustments	314,744	286,015	600,759	4.29 %	(675,227)	(701,527)	(1,376,754)	(4.84)%
New Proposals	5,659,377	5,659,287	11,318,664	80.90 %	4,845,127	4,810,718	9,655,845	33.91 %
Total Budget	\$7,009,929	\$6,981,110	\$13,991,039		\$14,266,561	\$14,205,852	\$28,472,413	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law										
0.00	16,359	209,480	792	226,631	0.00	15,039	214,041	800	229,880	
DP 99 - LEG. Present Law										
0.00	298,385	(1,219,099)	18,856	(901,858)	0.00	270,976	(1,221,231)	18,848	(931,407)	
Grand Total All Present Law Adjustments										
0.00	\$314,744	(\$1,009,619)	\$19,648	(\$675,227)	0.00	\$286,015	(\$1,007,190)	\$19,648	(\$701,527)	

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
	FY 2016				
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	25.67	\$8,465	\$4,011	\$0	\$12,476
Executive Implementation of 2015 Pay Increase		24,161	12,238	-	36,399
Fully Fund 2015 Legislatively Authorized FTE		6,375	23,582	6,906	36,863
Other		(22,642)	169,649	(6,114)	140,893
Personal Services Present Law Adjustments	25.67	\$16,359	\$209,480	\$792	\$226,631
	FY 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	25.67	\$8,465	\$4,011	\$0	\$12,476
Executive Implementation of 2015 Pay Increase		24,235	12,164	-	36,399
Fully Fund 2015 Legislatively Authorized FTE		6,375	23,582	6,906	36,863
Other		(24,036)	174,284	(6,106)	144,142
Personal Services Present Law Adjustments	25.67	\$15,039	\$214,041	\$800	\$229,880

The executive proposes to increase support to personal services by 19.3% in FY 2016 and 19.5% in FY 2017 in comparison to the FY 2015 legislatively appropriated budget of \$1,792,156. Approximately 35% of the personal services increases are due to the three main line items. The remainder is primarily a result of present law proposals for operating adjustments and additional funding to the administrative grant program.

**LFD
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The End of TSEPRW Funding

Statute 17-5-703, MCA, provides for the distributions of the coal severance tax to the named trusts. All reference to the TSEPRW trust will disappear as of July 1, 2016 (mid-way in the 2017 biennium). Furthermore, the state special fund used for the purpose of appropriation as provided in 90-6-715, MCA (provided as temporary) will likewise disappear. When the trust disappears from statute, there will no longer be any mention of the TSEPRW program in statute, which could be inferred as the end of the program altogether. Yet, if the program continues, and without statutory changes, another source of program funding will be required to support program costs and water authority administration costs, not to mention regional water construction.

TSEPRW started when the Ft. Peck/Dry Prairie and Rocky Boy/North Central regional water authorities were formed. Since then, the state funding for the construction projects has been met and some federal project funding has been received. However, two additional regional water authorities have been formed, the Dry Red and the Musselshell Judith Gap, which has extended the projects for which this funding could be used. Neither of these systems has received federal recognition as regional water systems, although both have sought authorization. Without federal authorization, it is unlikely that federal funds will be directed to the projects. Consequently, even if the TSEPRW trust continued to exist, system construction would be delayed until federal funding materializes.

The statute is not specific about the handling of the TSEPRW funds as they disappear from the law, however legislative legal staff has provided an informal interpretation that the balance of the TSEPRW trust will revert to the permanent trust, increasing the flow of investment earnings to the general fund, and that.

17-1-503, MCA would guide the actions related to the fund. The statute states, "The balance remaining in each special revenue account terminated pursuant to legislative review must be deposited in the general fund." Without legislative action to change the law, it is likely that any uncommitted or encumbered balance would likely be transferred to the general fund.

The legislature has options for addressing this issue before the funding for the TSEPRW program is eliminated. Ultimately, the legislature must decide if the program as currently managed should continue. If not, then the termination of the trust and the TSEPRW statute will eliminate the current funding. If, however, the legislature wants to continue the program the following options may help to frame a discussion:

- Insert the TSEPRW trust back into 17-5-703
- Eliminate the temporary status of 90-6-715

DP 99 - LEG. Present Law -

LGPL adjustments would decrease due to local assistance from other state sources.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 2302305 - CARDD Montana Rural Water - OTO										
0.00	0	240,000	0	240,000	0.00	0	240,000	0	240,000	
DP 2302309 - CARDD Fund Switch from Natural Resource Operations Account										
0.00	629,082	(629,082)	0	0	0.00	629,082	(629,082)	0	0	
DP 2302310 - CARDD Coal Severance Tax Shared Reduction										
0.00	0	(425,168)	0	(425,168)	0.00	0	(459,487)	0	(459,487)	
DP 2302311 - CARRD Invasive Species Staff										
0.50	30,295	0	0	30,295	0.50	30,205	0	0	30,205	
DP 2302312 - Sage Grouse Conservation Fund (OTO/BIEN/RST)										
0.00	5,000,000	0	0	5,000,000	0.00	5,000,000	0	0	5,000,000	
Total	0.50	\$5,659,377	(\$814,250)	\$0	\$4,845,127	0.50	\$5,659,287	(\$848,569)	\$0	\$4,810,718

DP 2302310 - CARDD Coal Severance Tax Shared Reduction -

The budget includes a reduction each year to bring utilization of the coal severance tax shared account in line with revenue projections.

DP 2302312 - Sage Grouse Conservation Fund (OTO/BIEN/RST) -

This budget request is for \$5,000,000 of general fund each year to fund voluntary and incentive-based non-regulatory conservation measures on private land to conserve sage grouse habitat, including the promotion and support of mitigation and conservation plans and measures.

According to the executive, a project developer whose project is located in or near sage grouse habitat may contribute to the fund for the purpose of protecting sage grouse habitat or defraying the costs of maintaining sage grouse habitat as part of an approved mitigation plan.

DP 2302305 - CARDD Montana Rural Water - OTO -

Montana Rural Water (MRW) assists communities with water and wastewater systems by providing technical support. This request is for \$240,000 per year as a one-time-only appropriation to pay for training and operating expenses of the MRW staff. Salaries, communication, travel, and other expenses would be paid by contract. The staff provides training statewide.

DP 2302311 - CARRD Invasive Species Staff -

The executive recommends general fund for 0.50 FTE to staff the Montana Invasive Species Advisory Council. The council provides a non-partisan forum for understanding invasive species issues and determining ways to identify, prevent, eliminate, reduce, and mitigate the impacts of both terrestrial and aquatic invasive species in Montana.

DP 2302309 - CARDD Fund Switch from Natural Resource Operations Account -

This budget request represents a funding shift of \$629,082 from state special revenue to general fund in the Conservation and Resource Development Division.

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Natural Resource Operations Account Funding

This division has historically used the natural resources operations account to fund a significant part of its operations. This account is funded from several sources, including a portion of the metal mines and oil and gas taxes, and interest income from the resource indemnity trust, and is used by numerous other functions in several agencies of state government. This account is currently not sustainable for all of the functions for which it provides funding.

The legislature may wish to consider all of the current uses of the account in determining how to bring those uses into balance with ongoing revenues, including reducing operations to align with the funding sources. As such, the Natural Resources and Transportation Subcommittee may wish to coordinate its consideration and action on both this agency and the Department of Environmental Quality with the subcommittees acting on the other functions that utilize the account.

For a further discussion of the RIT related accounts used to fund this and other functions of state government, see the Summary section of the Department of Environmental Quality.

Language and Statutory Authority -

The Governor proposes the following language for inclusion in HB 2.

The executive requests three language appropriations:

“The department is appropriated up to \$600,000 for the 2017 biennium from the natural resources operations account established in 15-38-301 for the purchase of prior liens on property held as loan security as provided in 85-1-615.

The department is appropriated up to \$1,000,000 for the 2017 biennium from the coal bed methane protection account established in 76-15-904 for potential landowner or water right holder claims for emergency loss of water related to coal bed methane development.

The department is authorized to decrease federal special revenue in the pollution control and/or drinking water revolving fund loan programs and increase state special revenue by a like amount within administration accounts when the amount

of federal EPA CAP grant funds allocated for administration of the grant have been expended or federal funds and bond proceeds will be used for other program purposes as authorized in law providing for the distribution of funds.”